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DAD/RR

3 October 1958

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ERA Contribution to "Semiannual Report to the President's Board of Consultants on Foreign Economic and Geographic Intelligence Activities"

REFERENCE: Your Memorandum of 25 Sept '58

I. Economic Intelligence Production

Research on the economic aspects of Soviet military technology and supporting scientific activity has continued to receive major emphasis during this period. ORR was the principal contributor on the "factors affecting operational capabilities" in Guided Missiles and Space Vehicles for a recent National Intelligence Estimate. A significant contribution was made to a Special National Intelligence Estimate on the strength and composition of the Soviet Long Range Bomber Force. The office also contributed to an estimate of the Soviet nuclear attack capabilities and Soviet air-defense capabilities in 1962 in support of the Net Evaluation Subcommittee of the National Security Council. This contribution included scheduling and costing of these programs and an assessment of their impact on the Soviet economy. Special support was given the NSC on the evaluation of the new Soviet bomber "BOUNDER".

ORR is doing the bulk of the research on the economic aspects of the Soviet atomic energy program for a coordinated contribution by the JAEIC Economic Working Group to a pending National Intelligence Estimate on this subject. An interim review was conducted of completed case studies of an external research project on economic criteria for adoption of nuclear power plants, which, it is anticipated, will contribute greatly to a better understanding of the economic aspects of the Soviet atomic energy program.

Research is now underway aimed at reporting on and analyzing the recent organizational developments in Communist China, which place emphasis on small-scale industry and local administrative direction of most economic activity. The reorganization of Chinese society into communes for this purpose will apparently lead to closer controls over the every-day lives of the people than any large-scale communist experiment in history. The development is unprecedented in the Sino-Soviet Bloc, and its social, cultural, and economic consequences may be drastic.

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Among the major projects on subjects of priority interest completed during the period were: the policies, performance and prospects of Soviet agriculture, the Soviet telecommunications systems, the Soviet construction industry, Soviet shipbuilding activity, and Soviet civil aviation and its potential for international expansion.

Research is continuing on such topics of long-range interest as: Sino-Soviet Bloc activities in under-developed countries; the size, growth, and structure of the Bloc economies; and the estimation of Soviet economic growth over the next seven years. The comprehensive set of national accounts for the USSR in 1950 has been completed and accounts for the years 1956 and 1957 are underway. These, along with the 1955 accounts already completed, will provide a more precise description of growth trends in the Soviet Union. The report on Chinese national income and production for 1952-1957 is expected to be published in a month or two by [REDACTED] 25X1A5a1 Additional work has been completed, refining the consumption sector estimates for Communist China.

ORR continued to provide extensive support to the U.S. Delegation at the COCOM meetings on strategic trade controls and the subsequent high level Consultative Group meeting. Contributions are being made on a continuing basis to the USIB Watch Committee on the logistical and economic status of the Soviet Union and Communist China and on Bloc activities in the Middle East in relation to the situations in the Taiwan Straits and the Middle East.

II. Major Intelligence Gaps

A. Economic Intelligence

Major gaps continue to exist in information on Soviet Bloc military programs and expenditures. These concern not only the guided missile programs but also the production of strategic chemicals, electronic equipment, and other items which support these programs and on the production of other military end items. Other important gaps include traffic volume and density data by rail system in the USSR, detailed data on European Satellite foreign trade pricing policies, drawings on Bloc credits to underdeveloped countries, inventory data for the Soviet communications system and details of the 1957 economic reorganization of the USSR.

There is a general lack of information on changes in the posture of the Soviet economy which might have provided indications of Soviet intentions toward such situations as the Lebanon, Iraq and Taiwan Straits crises.

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A serious deficiency exists in information upon which to evaluate the incredible claims of Communist China regarding the achievements and goals of its nation-wide "leap-forward" program.

III. Dissemination and Utilization of ORR Products

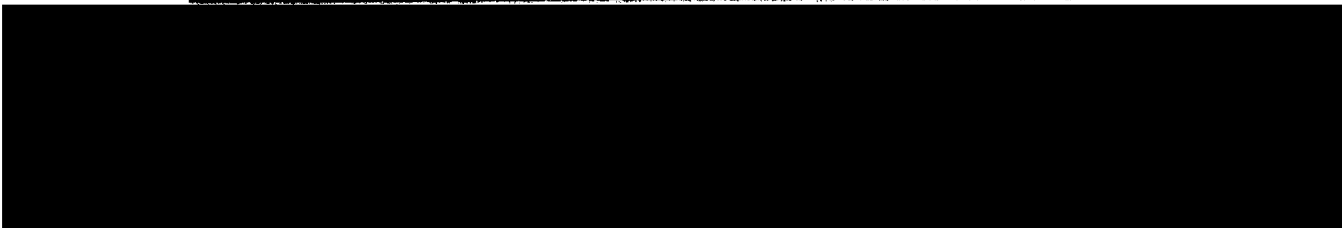
A. Economic Intelligence

ORR continued its direct support of the targetting efforts of the Air Force through a formal program which provides for the submission of semiannual estimates and through an expanding arrangement for informal day-to-day contacts. The study of Soviet civil aviation was particularly useful to the Operations Coordinating Board; the President's Council on Foreign Economic Policy and other government bodies concerned with the threat of Soviet competition in international civil aviation.

Wide distribution has continued for the biweekly and the semiannual reports on Bloc activities in the underdeveloped areas. These publications are extensively used by U.S. posts and installations abroad and domestic agencies concerned with the Bloc economic offensive in the Free World.

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IV. Guidance to Collectors and Intelligence Collection Activities



Service attache reports have proved to be important information sources in the fields of construction, communications, and transportation. One recent Naval attache report from Moscow was so comprehensive as to provide an excellent check on the ORR estimate of the capacity of the Trans-Siberian railroad.

The Economic Area has begun the issuance on a scheduled basis of a series of "gaps in intelligence" guide requirements in an effort to improve the guidance which is given to the various collection activities.

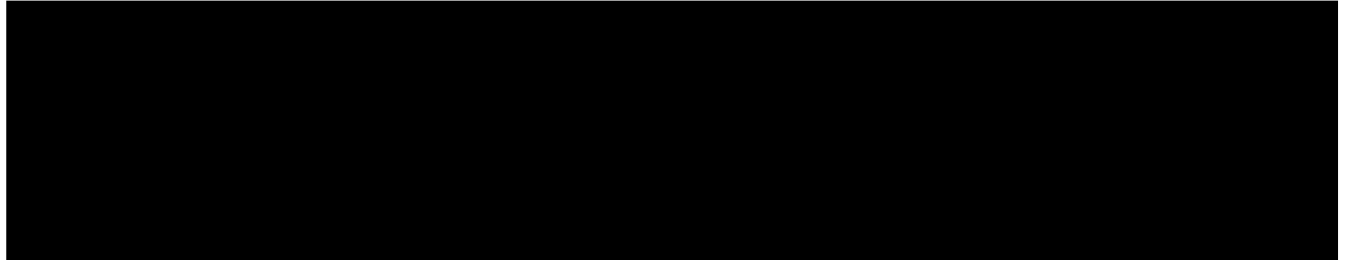
V. Coordination of Economic Intelligence

ORR has cooperated in the work of the USIB Guided Missile Intelligence Committee and has been the sole contributor of economic and operational intelligence in this field. Continuing coordination

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The EIC subcommittees in which ORR participates were active during the period in the coordination of several research products of the Economic Research Area. In addition ORR personnel participated in the activities of the inter-agency groups in the economic defense community.

Current economic intelligence continues to be coordinated through the medium of the USIB panel advising the Assistant Director for Current Intelligence on the Central Intelligence Bulletin.

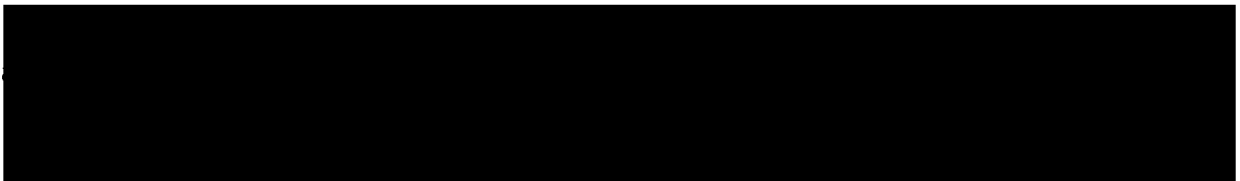
VI. The Speed of Intelligence Communications

(ERA) Nothing to Report.

VII. Planning for Wartime Operations

(ERA) Economic Research Area personnel participated in the 1958 Operation Alert Exercise and participated in seminars on "Economic Intelligence in Wartime" and "Economic Warfare Support by ORR". The Chief of Services Division has been serving as a member of the General Committee on Mobilization Planning for Economic Warfare and has participated as Chairman of EDIC in interagency discussions concerning the role of EDIC in mobilization planning. In addition a member of ERA has been appointed to serve as agency representative on the EIC Ad Hoc Working Group on War Planning which was established during the period.

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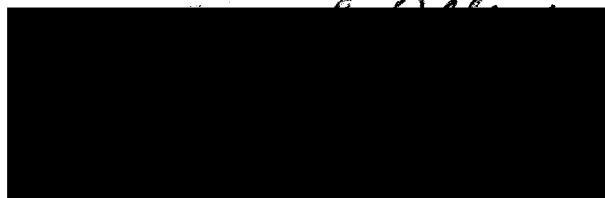


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IX. Other Items

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